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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

BEST COPY AVAILABLE

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-10382

VALLEY FORGE SCIENTIFIC CORP.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	23-2131580
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

136 Greentree Road, Oaks, Pennsylvania 19456
(Address of principal executive offices and zip code)
Telephone: (215) 666-7500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

At May 11, 1992 there were 7,783,430 shares outstanding of the Registrant's no par value Common Stock

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VALLEY FORGE SCIENTIFIC CORP.

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VALLEY FORGE SCIENTIFIC CORP.

Balance Sheets

	March 31, 1992 (Unaudited)	September 30, 1991 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 917,595	$ 1,064,183
Accounts receivable-trade	204,590	416,832
Inventory	925,834	770,536
Prepaid items and other current assets	34,245	21,157
Total current assets	2,082,264	2,272,708
Fixed assets (net)	156,049	170,385
Intangible assets:		
License agreements/Patents/Other	382,121	317,571
Goodwill	320,400	329,178
Other assets	3,822	3,822
Total other assets	706,343	650,571
Total assets	$ 2,944,656	$ 3,093,664
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 133,449	$ 114,393
Notes payable	45,297	118,128
Total current liabilities	178,746	232,521
Long term liabilities:		
Notes payable	6,882	11,731
Total long term liabilities	6,882	11,731
Total liabilities	185,628	244,252
Commitments and contingencies		
Stockholders' equity:		
Common stock (no par, 10,000,000 authorized, 7,575,885 issued and outstanding at Sept. 30, 1991; and 7,717,930 at Mar. 31, 1992)	3,353,448	3,190,139
Retained earnings (deficit)	(594,420)	(340,727)
Total stockholders' equity	2,759,028	2,849,412
Total liabilities and stockholders' equity	$ 2,944,656	$ 3,093,664

VALLEY FORGE SCIENTIFIC CORP.

Statements of Operations
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Sales - Medical Products and Accessories	$ 143,367	$ 290,905	$ 452,284	$ 601,689
Cost of Sales	(62,798)	(110,856)	(194,538)	(248,582)
Gross Profit	80,569	180,049	257,746	353,107
Other costs:				
Selling, general and administrative	207,497	224,228	393,693	422,456
Research and development (income) expense	46,796	71,845	95,401	110,215
Depreciation	8,386	12,127	16,741	24,254
Amortization	11,276	10,676	22,652	21,353
Total other costs	273,955	318,876	528,487	578,278
Income (loss) from operations	(193,386)	(138,827)	(270,741)	(225,171)
Other income:				
Interest income (expense)	8,371	6,921	17,048	17,704
Income (loss) before income taxes	(185,015)	(131,906)	(253,693)	(207,467)
Provision for income taxes	-	-	-	-
Net income (loss)	$(185,015)	$(131,906)	$(253,693)	$(207,467)
Earnings (loss) per share				
Primary earnings (loss) per share of common stock	$ (.02)	$ (.02)	$ (.03)	$ (.03)
Fully diluted earnings (loss) per share	$ (.02)	$ (.02)	$ (.03)	$ (.03)
Primary common shares outstanding	8,152,730	7,839,280	8,142,213	7,714,606
Fully diluted common shares outstanding	8,152,730	7,999,442	8,149,818	7,928,025

VALLEY FORGE SCIENTIFIC CORP.

Statements of Cash Flows
For the Six Months Ended March 31,
(Unaudited)

	1992	1991
Cash Flows From Operating Activities:		
Net income (loss)	$ (253,693)	$ (207,467)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,393	45,607
Changes in assets and liabilities, net of effect from		
Decrease (increase) in accounts receivable	212,242	(91,210)
Decrease (increase) in inventory	(155,298)	(196,803)
Increase (decrease) in accounts payable and accrued expenses	19,056	(29,212)
Decrease (increase) in other assets	-	-
Decrease (increase) in prepaid items	(13,088)	(28,527)
Net Cash Provided (Used) by Operating Activities	(151,388)	(507,612)
Cash Flows From Investing Activities:		
Increase in intangible assets - license agreements, patents, trademarks goodwill	(78,121)	(39,363)
Purchase of property, plant & equipment	(2,708)	(5,245)
Net Cash Provided (Used) by Investing Activities	(80,829)	(44,608)
Subtotal Net Cash Provided (Used) by Operating and Investing Activities	(232,217)	(552,220)
Cash Flow from Financing Activities:		
Net proceeds from exercise of warrants	163,309	90,652
Principal payments on notes payable	(77,680)	(88,752)
Net Cash Provided (Used) by Financing Activities	85,629	1,900
Net Increase (Decrease) in Cash and Cash Equivalents	(146,588)	(550,320)
Cash and Cash Equivalents beginning of period	1,064,183	1,355,799
Cash and Cash Equivalents end of period	$ 917,595	$ 805,479

VALLEY FORGE SCIENTIFIC CORP.

Notes to Financial Statements
March 31, 1992 and 1991

1. In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the financial position, as of March 31, 1992 and September 30, 1991 and the statements of earnings for the three months and six months ended March 31, 1992 and 1991 and the statements of cash flows for the six months ended March 31, 1992 and 1991.

The statements of earnings for the three months and six months ended March 31, 1992 and 1991 are not necessarily indicative of results for the full year.

While the Company believes that the disclosures presented are adequate to make the information not misleading, these financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1991.

2. Earnings per share are based on the weighted average number of common shares outstanding including common stock equivalents.

VALLEY FORGE SCIENTIFIC CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Results of Operations for the Three and Six Months Ended March 31, 1992 Compared to the Three and Six Months Ended March 31, 1991.

Sales of $143,367 and $452,284 for the three and six month periods ended March 31, 1992 were 51% and 25% less than sales in the corresponding three and six month periods of 1991. The sales decrease was primarily due to reduced shipments to Codman & Shurtleff, Inc. ("Codman") in the three months ended March 31, 1992. Shipments to Codman of the MALIS CMC-III bipolar electrosurgical systems from the first production order will commence in May 1992. The product mix of sales and sales to Codman, however, may fluctuate until Codman has fully implemented its marketing of both the MALIS CMC-III and the MALIS CMC-II bipolar systems in the neurosurgery markets. As of March 31, 1992, orders for delivery of products in the 1992 calendar year are in excess of $1,000,000.

On May 5, 1992, the Company entered into a distribution agreement with the Premier Medical Products division of Premier Dental Products, Inc. for the sale of the Company's bipolar electrosurgical generators along with associated reusable and disposable instrumentation and products for procedures performed in the physician's office. Initial shipments under this agreement are anticipated to commence in the fourth quarter of 1992.

The Company's gross profit margin decreased to 56% and 57%, respectively, for the three and six month periods ended March 31, 1992 from 62% and 59% for the corresponding periods in 1991. For the first three and six month periods of 1992, the Company's selling, general and administrative expenses decreased by 7% and 7%, respectively, and the Company's research and development expenses decreased by 35% and 13%, respectively, as compared to the corresponding periods in 1991. The research and development expenses of $46,796, and $95,401 for the three and six month periods ended March 31, 1992, reflect the costs for the development of a new bipolar generator for Premier Medical Products and a new generator for use in endoscopic, laparoscopic and general surgery.

Interest income (net of interest expense) increased by 21% to $8,371 in the three months ended March 31, 1992 and decreased by 4% to $17,048 for the six months ended March 31, 1992.

VALLEY FORGE SCIENTIFIC CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company had a loss of $185,015 and $253,693, respectively, in the three and six months ended March 31, 1992. Primary and fully diluted losses per share of $.02 and $.03 for the three and six month periods ended March 31, 1992 were constant with amounts for the corresponding periods in 1991.

Liquidity and Capital Resources

For the first six months of 1992, the Company used cash of $151,388 from operating activities. This amount reflects cash used to fund the Company's net loss of $253,693 and an increase in inventory and prepaid items of $155,298 and $13,088, respectively, reduced by cash provided by a decrease in accounts receivable of $212,242, an increase in accounts payable of $19,056 and depreciation of $39,393. The increase in inventory was primarily attributable to an increase in materials and parts to support shipments to Codman which will commence in May 1992. The Company believes that the cash flow deficiency from operating activities will be remedied by any one or more of the following: increased sales, collection of accounts receivable, proceeds from the exercise of Redeemable Warrants or borrowings.

Investing activities used $80,829 for payments associated with an increase in intangible assets and purchases of property, plant, and equipment. Financing activities provided $85,629 from net proceeds of $163,309 received from the exercise of Redeemable Warrants and underwriters warrants less principal payments on notes of $77,680. Cash decreased by $146,588 in the first six months of 1992, leaving a balance of $917,955 in the Company's cash and cash equivalents at March 31, 1992.

During the first six months of fiscal 1992, holders of 129,545 Redeemable Warrants exercised the warrants at a price of $1.30 per warrant and holders of 12,500 underwriter's warrants exercised the warrants at a price of $1.20 per warrant. The Company received gross proceeds of $183,409 and issued 142,045 shares of Common Stock as a result of the exercise of the warrants. At March 31, 1992, 402,070 Redeemable Warrants remained outstanding. From April 1, 1992 to May 10, 1992 an additional 65,500 Redeemable Warrants were exercised from which the Company received gross proceeds of $85,150.

The Company's deficit increased to $594,420 as a result of the net loss of $253,693 in the first six months of fiscal 1992.

The Company believes it has available all funds needed for operations, research and development and capital expenditures as they may arise in the future. However, should it be necessary, the Company believes it could borrow adequate funds at competitive rates and terms.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Securityholders

On March 4, 1992, the annual meeting of stockholders of the Company was held. Proxies for the meeting were solicited pursuant to Regulation 14 of the Securities Act of 1934, there was no solicitation in opposition to management's nominees as listed in the proxy statement, and all such nominees were elected pursuant to the vote of stockholders.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

The Registrant did not file any reports on Form 8-K during the quarter ended March 31, 1992

VALLEY FORGE SCIENTIFIC CORP.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALLEY FORGE SCIENTIFIC CORP.

Date: May 13, 1992

By: Jerry L. Malin, President

Date: May 13, 1992

By: Thomas J. Gilloway, Executive Vice President (principal financial and accounting officer)